CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

Revised August 21, 2007

H.R. 760
Filipino Veterans Equity Act of 2007

As ordered reported by the House Committee on Veterans' Affairs on July 18, 2007

SUMMARY

H.R. 760 would expand benefits for Filipino veterans who served during World War II and modify a range of other benefits for eligible veterans. The bill contains provisions that would increase and decrease spending for veterans' benefits. On balance, CBO estimates that enacting H.R. 760 would decrease direct spending by less than $500,000 over the 2008-2012 period and by $77 million over the 2008-2017 period. In addition, implementing H.R. 760 would have discretionary costs of about $315 million in 2008 and $1.8 billion over the 2008-2012 period, assuming appropriation of the estimated amounts. Enacting the bill would have no effect on receipts.

H.R. 760 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act; any costs to state, local, or tribal governments would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 760 is summarized in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 760

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	348	361	371	379	387
Estimated Outlays	314	357	367	376	384
CHANGES IN DIRECT SPENDING [a]					
Estimated Budget Authority	*	28	-5	-10	-13
Estimated Outlays	*	28	-5	-10	-13

Notes: Components may not sum to totals in the text because of rounding.

* = between -$500,000 and $500,000.

a. In addition to the direct spending effects shown here, enacting H.R. 760 would have additional effects on direct spending after 2012 (see Table 3). The estimated net changes decrease direct spending by less than $500,000 over the 2008-2012 period and by $77 million over the 2008-2017 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the start of fiscal year 2008 and that the necessary funds for implementing the bill will be provided each year.

Spending Subject to Appropriation

H.R. 760 would increase benefits for veterans who travel to facilities of the Department of Veterans Affairs (VA) for medical services and would expand benefits for Filipino veterans residing in the Philippines. CBO estimates that implementing H.R. 760 would result in discretionary outlays of about $315 million in 2008 and $1.8 billion over the 2008-2012 period, subject to appropriation of the necessary amounts.

Increase in Veterans' Travel Benefits. Section 5 would increase the travel allowance available to certain veterans for medical or vocational rehabilitation appointments. Veterans with a low income and veterans seeking treatment for a service-related disability are currently eligible to receive 11 cents per mile traveled for medical appointments at VA facilities, with a $3 deductible each way. Those traveling for a disability rating examination receive 17 cents per mile with no deductible. Those travel reimbursements are discretionary costs and are covered in this part of the estimate. (Travel reimbursements for vocational rehabilitation appointments are classified as mandatory spending, and those costs are discussed later in the "Direct Spending" section.)

Section 5 would eliminate the deductible and link the mileage reimbursement rate to that used by the federal government to reimburse employees for work-related travel in their personal vehicles. That rate is currently 48.5 cents per mile. In 2006, VA spent about $55 million to reimburse veterans for travel to medical appointments and about $5 million in travel reimbursements for veterans traveling for disability rating examinations. Based on information from VA, CBO estimates that, in 2008, increasing the mileage rates and eliminating the deductible for medical appointments would require the appropriation of about $340 million in that year. That cost reflects CBO's expectation that increasing the mileage rate also would increase the number claims for travel reimbursement by 10 percent. Assuming that mileage reimbursement rates would increase by about 2 percent each year, CBO estimates that implementing this section would cost about $1.7 billion over the 2008-2012 period, assuming the appropriation of the necessary amounts (see Table 2).

TABLE 2. COMPONENTS OF DISCRETIONARY SPENDING UNDER H.R. 760

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Increases in Veterans' Travel Benefits					
Estimated Authorization Level	343	350	358	366	374
Estimated Outlays	309	346	354	363	371
Medical Care for Filipino Veterans					
Estimated Authorization Level	5	11	13	13	13
Estimated Outlays	5	11	13	13	13
Total Changes					
Estimated Authorization Level	348	361	371	379	387
Estimated Outlays	314	357	367	376	384

Medical Care for Filipino Veterans. Section 2 would qualify Filipino veterans for VA medical care if they served in the organized military forces of the Commonwealth of the Philippines or the Philippine Scouts while they were in the service of the U.S. armed forces between July 26, 1941, and July 1, 1946. Based on information from VA, CBO estimates that there will be about 30,000 eligible veterans living in the Philippines in 2008, and that their numbers will decline to about 24,000 by 2012. In 2006, the VA's average annual cost of providing medical care to veterans in the Phillippines was about $1,700 per person and, after accounting for inflation, CBO estimates that average would increase to about $2,100 per person by 2012.

According to VA, about 25 percent of all eligible veterans use VA medical care. Assuming a three-year phase-in of new users, CBO estimates that implementing section 2 would increase VA health care costs by $5 million in 2008 and by $55 million over the 2008-2012 period, subject to appropriation of the necessary amounts.

Direct Spending

H.R. 760 would modify veterans' benefits, including compensation, pensions, readjustment benefits, insurance, and travel reimbursement. CBO estimates that enacting H.R. 760 would have an insignificant impact on direct spending over the 2008-2012 period and would decrease direct spending by $77 million over the 2008-2017 period (see Table 3).

Special Monthly Pension (SMP). VA administers a pension program for low-income, totally disabled, war veterans whose disabilities are unrelated to their service. Eligible veterans who have more than one disability may receive a higher payment in the form of a SMP at either the aid and attendance (A&A) level or the lower housebound level. Those whose second disability is rated at 100 percent are eligible to receive the A&A SMP; those whose second disability is rated at 60 percent to 90 percent are eligible for the housebound SMP.

As of 2001, veterans over age 65 are presumed to be totally disabled for the purposes of receiving the basic pension. Until a recent court holding, that presumption did not extend to the SMPs.[1] Veterans over age 65 were required to have two disabilities rated at 100 percent each, or one disability rated at 100 percent and one rated at 60 percent or greater, to receive the A&A or housebound SMPs, respectively. The Court of Appeals for Veterans Claims found that the presumption of disability eliminated the need for the initial disability rating of 100 percent, significantly expanding the number of veterans who are eligible to receive the more costly SMP. Pursuant to that holding, VA has recently begun to pay the A&A SMP to veterans over age 65 who have one disability rated at 100 percent and to pay the housebound SMP to veterans over 65 with a single disability rated at 60 percent to 90 percent.

1. *Robert A. Hartness v. R. James Nicholson, VA* 20 Vet. App. 216 (2006).

TABLE 3. COMPONENTS OF DIRECT SPENDING UNDER H.R. 760

	Outlays in Millions of Dollars, by Fiscal Year											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN DIRECT SPENDING [a]												
Special Monthly Pension	-63	-90	-112	-111	-109	-105	-101	-96	-91	-87	-485	-965
Expansion of Benefits for Filipino Veterans	53	109	102	95	90	84	79	74	70	66	449	822
Increased S-DVI	2	2	3	3	3	2	2	3	3	3	13	26
State Approving Agencies	6	6	0	0	0	0	0	0	0	0	12	12
Accelerated Payment of Certain MGIB Benefits	1	1	1	1	1	1	1	1	1	1	5	11
COLA to Surviving Spouses	*	*	*	1	1	1	1	2	2	2	1	9
Increase in Veterans' Travel Benefits	1	1	1	1	1	1	1	1	1	1	4	8
Total Changes	*	28	-5	-10	-13	-17	-17	-16	-14	-13	*	-77

Notes: S-DVI = Supplemental Service Disabled Veterans Insurance; MGIB = Montgomery GI Bill; COLA = Cost-of-Living Adjustment.

* = between -$500,000 and $500,000.

a. Numbers may not add up to totals because of rounding.

Section 3 would change the eligibility requirements for SMPs to those in force before the court ruling, reducing the number of veterans eligible for SMP and thereby reducing the cost of the pension program. Based on data from VA, CBO estimates that, over the next three years, of the 20,570 veterans over age 65 who are receiving the basic pension because they were presumed disabled, 75 percent—or 15,400—will apply for and receive a SMP. Based on disability data from VA, CBO estimates that about 12,800 of those qualifying pensioners will be found eligible for the A&A SMP and that the remaining 2,600 will receive the housebound SMP.

In addition, CBO estimates that each year about 3,000 new pension recipients will qualify for the SMPs because of the court ruling and that half of them will be paid at the A&A rate and that half will receive the housebound rate. Thus, CBO estimates that under current law a total of 10,350 additional veterans will receive SMPs in 2008, and, using normal mortality rates for that population and adding in each year's cohort of new pensioners, CBO estimates that by 2017, an additional 13,700 pensioners will receive SMPs because of the court ruling.

The maximum annual pension rate for a veteran with no dependents is $10,929. Similar rates for A&A and housebound SMPs are $18,234 and $13,356, respectively. After adjusting for cost-of-living increases, by 2017 the difference between the maximum annual pension rate and both the A&A and housebound SMP rates would be about $9,000 and $3,000, respectively. Using those increases in benefit levels and the populations specified above, CBO estimates that the court ruling will increase direct spending on veterans pensions by $485 million over the 2008-2012 period and $965 million over the 2008-2017 period. Enacting section 3 would undo that increase expected under current law, resulting in an equal amount of savings.

Expansion of Benefits for Filipino Veterans. Section 2 would qualify Filipino veterans for full VA benefits if they served in the organized military forces of the Commonwealth of the Philippines and the Philippine Scouts while they were in the service of the U.S. armed forces between July 26, 1941, and July 1, 1946. Enacting this provision would increase direct spending for disability compensation, dependency and indemnity compensation (DIC), pensions and readjustment benefits. In total, CBO estimates that enacting section 2 would increase direct spending by $53 million in 2008, $449 million over the 2008-2012 period, and $822 million over the 2008-2017 period. (Section 2 also would increase the number of Filipino veterans who are eligible for VA medical care. The cost of providing that care is discussed above under "Spending Subject to Appropriation.")

Compensation. While Filipino veterans residing in the United States are eligible for full disability compensation, Filipino veterans residing in the Philippines receive compensation at one-half of the full rate. Section 2 would grant Filipino veterans residing in the Philippines full disability compensation, effective as of January 1, 2008.

About 3,000 Filipino veterans received reduced disability compensation from VA in 2006. Using VA mortality rates for compensation recipients, CBO estimates that under section 2 about 2,700 Filipino veterans would receive an increase in compensation in 2008, decreasing to about 1,300 by 2017. CBO assumes that all veterans who are eligible for compensation are currently receiving a disability payment, and that there would be no new accessions to the disability compensation rolls. Based on information from VA, CBO estimates that in 2008, the average disability compensation payment will be about $9,600—resulting in an increase of $4,800 for Filipino veterans. After adjusting for cost-of-living increases, CBO estimates that enacting section 2 would increase direct spending for disability compensation by $55 million over the 2008-2012 period and $98 million over the 2008-2017 period.

Dependency and Indemnity Compensation. Section 2 would also grant full DIC to eligible surviving spouses of Filipino veterans who live in the Philippines, effective January 1, 2008. Under current law, those individuals are eligible for 50 percent of the regular payment. Based on information from VA, and using mortality rates for surviving spouses, CBO estimates that in 2008 about 4,650 surviving spouses who are currently on the rolls would receive an increase in their DIC payments, and that their numbers would decrease to about 4,100 by 2017.

Section 2 would also grant full DIC to accessions to the DIC rolls. Based on information from VA on the number of veterans' deaths that leave survivors eligible for DIC, CBO estimates that in 2008, there would be about 40 accessions to the DIC rolls in the Philippines. After accounting for new DIC cases over the 2008-2017 period, CBO estimates that in 2017 about 440 DIC accessions would receive full DIC, as opposed to one-half of the benefit under current law.

According to VA, the average annual DIC benefit in 2006 for current surviving spouses was $13,441. After adjusting for cost-of-living increases, CBO estimates that the average annual DIC payment for those surviving spouses will be $14,060 in 2008, resulting in an increase for current Filipino survivors of $7,030 in that year, and increasing to $8,540 by 2017. Therefore, CBO estimates that enacting section 2 would increase direct spending for DIC for current surviving spouses by $158 million over the 2008-2012 period and $331 million over the 2008-2017 period.

For new accessions, the average annual payment for DIC in 2006 was $12,940. After adjusting for cost-of-living increases, CBO estimates that the average annual DIC payment for accessions will be $13,350 in 2008, resulting in benefit increase for new Filipino survivors of $6,770 in 2008, and growing to $8,220 by 2017. CBO estimates that enacting section 2 would increase direct spending for DIC for new accessions by $4 million over the 2008-2012 period and $17 million over the 2008-2017 period.

In total, section 2 would increase payments for DIC by $163 million over the next five years and $348 million over the 10-year period.

Pensions. Under current law, Filipino veterans are not eligible for disability pensions, and their surviving spouses are not eligible for a death pension. Section 2 would make both Filipino veterans and their surviving spouses eligible for those pensions at specified rates. Under section 2, single veterans would be eligible for an annual payment of $6,000 and married veterans would be eligible for $8,400. The annual payment for surviving spouses would be $3,600. All payments would be increased annually by a cost-of-living adjustment. Veterans applying on or after May 1, 2008, would be eligible.

To become eligible for a disability pension, a veteran must have an income below a certain threshold, have served during a period of war, and have a permanent and total nonservice-connected disability. Veterans over age 65 are presumed totally disabled for pension purposes. The income threshold for veterans without any dependents is about $11,000. According to the *Central Intelligence Agency Factbook*, the average annual income in the Philippines is about $5,000 as of 2006.

In 2001, VA issued a report on Filipino veterans. As of September 2000, about 41,800 Filipino veterans resided in the Philippines and were not receiving disability compensation. Based on the low average annual income and the income threshold for disability pensions, CBO expects that under this provision, 80 percent of Filipino veterans would apply for and be granted a pension. Based on information from the Department of Defense (DoD), CBO estimates that 30 percent of Filipino veterans are married. Using VA mortality rates for pensioners, CBO estimates that under section 2 about 14,200 Filipino veterans would be granted a disability pension in 2008, of which about 1,500 would survive to 2017.

Based on information from VA and DoD, CBO estimates that about 120 surviving spouses would apply for and be granted a pension in 2008. After accounting for accessions to the DIC rolls over the 2008-2017 period, CBO estimates that about 2,900 surviving spouses would receive such pensions by 2017.

After accounting for cost-of-living adjustments, CBO estimates that enacting section 2 would increase outlays for pensions by $226 million over the 2008-2012 period and $369 million over the 2008-2012 period.

Readjustment Benefits. Section 2 would also make some Filipino veterans eligible for certain readjustment benefits, including dependent education, specially adapted housing grants, and automotive and adaptive equipment. Based on information from VA on the Filipino veteran and survivor population, mortality rates, and usage rates, CBO estimates that enacting section 2 would increase direct spending for readjustment benefits by $6 million over the next five years and by $7 million over the next 10 years.

Supplemental Service-Disabled Insurance (S-DVI). Section 6 would increase the amount of supplemental S-DVI insurance coverage available from $20,000 to $30,000. This provision would be effective as of January 1, 2008.

S-DVI is a life insurance program for veterans with service-related disabilities. They must apply for S-DVI within two years of notification that a service connection has been established for a disability. Supplemental S-DVI is available to current S-DVI policyholders who qualify for a waiver of premiums because of a total disability that began after the insured’s application for insurance, while the insured was paying premiums for S-DVI, and before the insured’s 65 birthday.

Based on VA’s actuarial projections of current and future policy holders, premium payments, and death claims, CBO expects about 19,000 policyholders would take advantage of the increased coverage in 2008, increasing to about 23,400 by 2017. Therefore, CBO estimates that enacting section 6 would increase direct spending by $13 million over the 2008-2012 period and $26 million over the 2008-2017 period.

State Approving Agencies. VA is currently authorized to reimburse the state approving agencies from amounts available for the payment of readjustment benefits. The state approving agencies provide verification that various educational institutions are qualified to provide courses of education so that eligible veterans, survivors, and dependents may receive veterans education benefits while attending those institutions. Section 4 would increase the amount of such reimbursements that could be provided from funds available for payment of readjustment benefits from $13 million to $19 million per year in 2008 and 2009. CBO estimates that enacting this provision would increase direct spending for veterans readjustment benefits by $12 million over those two years, with no effect after 2009.

Accelerated Payment of Certain MGIB Benefits. Section 7 would add commercial driving programs to the range of education programs for which a beneficiary may receive accelerated payment of education benefits under the Montgomery GI Bill (MGIB). Under current law, veterans may receive a lump-sum payment equal to 60 percent of the cost for certain courses, if tuition for those courses exceeds twice the benefit that would otherwise be paid. This section would add training that leads to employment as an operator of a commercial motor vehicle to the list of programs for which accelerated payment is available. Based on information from VA about the number of veterans using the current accelerated payment program and the number of veterans training in commercial driving programs, CBO estimates that this provision would increase direct spending for readjustment benefits by $5 million over the 2008-2012 period and $11 million over the 2008-2017 period.

Cost-of-Living Adjustment to Surviving Spouses. Surviving spouses who are eligible for DIC may receive an extra $250 a month for up to two years if they have one or more children under the age of 18. Section 10 would increase the $250 benefit by the same annual cost-of-living adjustment payable to Social Security recipients. CBO estimates that this section would increase the monthly benefit to $255 (after rounding down to the next lowest dollar) for 2008 and to $305 by 2017, relative to current law and CBO's baseline. CBO estimates that enacting section 10 would increase direct spending for veterans compensation by $1 million over the 2008-2012 period and $9 million over the 2008-2017 period.

Increase in Veterans' Travel Benefits. Section 5 would increase the mileage rate used to reimburse certain veterans for travel to and from some appointments at VA facilities. (For more details on the travel benefits program and an estimate of the discretionary costs for implementing this provision, see the discussion under "Spending Subject to Appropriation.") Veterans who travel to a required appointment to receive counseling and evaluation before beginning vocational rehabilitation are reimbursed at 17 cents per mile. This section would link the veterans' mileage payment rate to the rate used by the federal government when reimbursing employees who travel in their personal vehicles for business. That rate is currently 48.5 cents per mile and is increased at intervals to account for inflation.

VA reports that it spends about $400,000 per year to reimburse veterans for traveling to appointments for vocational rehabilitation, which is a mandatory program. Increasing the mileage rate under this provision would increase spending by $4 million over the 2008-2012 period and $8 million over the 2008-2017 period.

Presumption of Service Connection for Prisoners of War (POWS) with Osteoporosis and Post-Traumatic Stress Disorder (PTSD). Section 9 of the bill would add osteoporosis in POWs with PTSD to the list of disabilities that VA assumes are service-connected for former POWs. Thus, under section 9, former POWs with PTSD who also have osteoporosis would be eligible for an increase in disability compensation. CBO estimates that fewer than 50 veterans might be eligible for a small increase in their disability compensation under this provision. Therefore, CBO estimates that enacting section 9 would increase direct spending by less than $500,000 over the 2008-2017 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 760 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act; any costs to state, local, or tribal governments would be incurred voluntarily.

PREVIOUS CBO ESTIMATE

On August 10, 2007, CBO transmitted a cost estimate for H.R. 760 as ordered reported by the House Committee on Veterans' Affairs on July 18, 2007. This revised estimate corrects an error in the estimated discretionary cost of increasing the veterans' travel benefit and supersedes the previous estimate. We previously estimated that such costs would total about $1.2 billion over five years, but that amount was based on an incorrect calculation of the annual change in average travel allowances under the bill. Correcting that mistake yields a five-year discretionary cost of $1.7 billion. (The estimated impact on direct spending under the bill is unchanged.)

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